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MARRYING COMMERCIAL INTERESTS AND ALTRUISM

by Melissa Walters

FOCUS: MEDICAL DONATIONS

U.S. companies in the medical and pharmaceutical sectors may wish to consider the benefits of donating used or surplus medical equipment, supplies, or pharmaceuticals to the NIS. Such donations can play the dual role of providing vital goods to communities in need, and increasing brand recognition and goodwill toward the companies' products in the recipient country.

The health care systems of NIS countries have been in a state of crisis since the breakup of the Soviet Union. A significant portion of these health care systems continue to be government-owned, and a lack of public funding has led to declines in the availability of medicines, equipment, and supplies, particularly for the most needy segments of society.

The U.S. government, along with several nongovernmental organizations (NGOs), facilitates the process of providing humanitarian medical assistance to the NIS. NGOs typically work with a partner office, charitable organization, or medical institution in the NIS country to ensure that the aid is delivered to appropriate recipients.

Department of State's (DOS) Humanitarian Programs

Within the Office of the Coordinator of U.S. Assistance to Europe and Eurasia, the U.S. State Department

maintains a staff dedicated to managing and administering humanitarian programs for the transitioning countries of the former Soviet Union (FSU). These programs involve primarily the transportation of

humanitarian commodities that are donated by private organizations or made available through the Department of Defense's (DOD) excess property program. Humanitarian medical commodities are provided through two programs: the Hospital Upgrade Program and the Private Voluntary Organization (PVO) Grants program. The Hospital Upgrade Program provides selected hospitals with medical equipment sourced from overstocks available through the DOD excess property program. This program is generally implemented once a year in pre-selected major cities of areas in countries of the FSU. In 2001, seven medical facilities in Tbilisi, Georgia, were selected for the hospital upgrade project, receiving support in the amount of \$18.3 million. Since 1992, this program has upgraded over 100 medical facilities and hospitals in 15 cities for a total value of \$243.6 million.

The PVO Grant program managed by DOS humanitarian programs sources and transports privately donated pharmaceuticals and medicines to various locations in the FSU. Numerous grants are awarded throughout the year to various PVOs that have demonstrated the ability to appropriately package all commodities for shipping, meet NIS customs requirements, and reliably distribute and monitor the distribution of all commodities. The State Department manages and funds all transportation arrangements, while the PVOs source and package, and then receive the commodities in the NIS and distribute them to their intended beneficiaries.

The PVOs that are currently active in this program include Counterpart International, United Methodist Committee on Relief, International Relief and Development, Project HOPE, CitiHope International, Heart to Heart, World Council of Hellenes, and A Call to Serve (ACTS) Georgia.

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Russian Far East Food Marketing Conference

**March 19–22, 2002
Vladivostok, Russia**

The U.S. Department of Agriculture's Foreign Agricultural Service invites U.S. companies to exhibit their company, products, and services during an upcoming exclusive trade forum on food wholesaling and retailing in Vladivostok. The region's top industry representatives from Vladivostok, as well as other major RFE market centers, are expected to attend this unique exhibition and professional development event.

For more information contact:
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BISNIS

*Business Information Service
for the Newly Independent States*

BISNIS is an information resource for U.S. companies doing business in the Newly Independent States of the former Soviet Union. Operated by the **Market Access and Compliance** unit of the **International Trade Administration**, BISNIS disseminates information in print form, electronically, and through consultations by its staff of trade specialists. For more information, please contact:

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Articles by non-U.S. government employees express the views of the authors and should not be construed as a statement of U.S. government policy.

BISNIS PARTICIPATES IN KHARKHIV BUSINESS SEMINAR

by Andriy Vorobyov

"Generating Trade and Investment Opportunities for Small and Medium Businesses," a one-day business seminar in Kharkiv, Ukraine, on November 29, attracted 120 small and medium companies from the area, as well as local and regional officials and trade and business associations. The seminar, organized by BISNIS, the U.S. Commercial Service, and the U.S. Agency for International Development (USAID), addressed issues critical to Ukrainian companies in search of foreign business partners and investors, including how to prepare a company for Western investment, how a private financial firm evaluates investment candidates, small business and international trade financing, commercializing industrial research, and more. This was the first event of this type organized by the U.S. Embassy in Ukraine.

Highlights of the seminar include addresses by U.S. Ambassador Carlos Pascual and Kharkiv Oblast Governor Yevhen Kushnaryov addressed the seminar participants and a speech by

member of the Ukrainian Parliament Inna Bogoslovskaya highlighted the role of local government officials in improving a region's business climate.

The seminar included presentations by USAID, BISNIS, FCS (announcement of Ukrainian-language BuyUSA.com site), SABIT, the U.S. Trade and Development Agency, IESC, the Western NIS Enterprise Fund, and the Science and Technology Center in Ukraine on the programs and services available in Ukraine to support business development and international trade. Of special interest to Kharkiv companies was the presentation by the FCS senior commercial officer in the EBRD liaison office. Kharkiv businessmen also had an opportunity to discuss their projects and proposals with U.S. representatives during a two-hour counseling session.

Andriy Vorobyov is the BISNIS representative in Ukraine. For more info, visit www.bisnis.doc.gov/bisnis/country/ukraine.cfm.

Correction: In the November 2001 issue of the *BISNIS Bulletin* "Transportation Corner: Finding the Right Shipper," the Trans-Siberian Express Service (TSES) was incorrectly identified as a joint venture (JV) between Maersk Sea Land and the Russian Ministry of Railways. In fact, the Ministry withdrew from this JV in 1999, leaving TSES as a 100 percent foreign-owned venture.

RUSSIAN LEGAL DEVELOPMENTS: THE LAND CODE

[Reprinted with permission from "Legal Alert: New Land Code Comes into Force," Adrian Moore, 30 October 2001, Baker & McKenzie, Moscow, Russia. Visit www.bakernet.com]

On October 30, 2001, the Land Code of the Russian Federation came into force. The Land Code represents a significant reform most particularly because of the sanction and encouragement that it gives to the creation of private ownership rights to land. At the same time, it restates a number of previously established concepts related to zoning and other issues. The provisions of the land code are detailed and, as is often the case with a new law of this size, there are a number of discrepancies with existing laws and areas that lack clarity within it. These will hopefully soon be addressed. There is also reliance placed upon administrative implementation. There are though new and exciting developments.

Scope of the Land Code

The Land Code has limited applicability to agricultural land as it is expressly provided that the circulation of such land will be the subject of a separate Federal law. In the Implementing Law it does though provide that, for the moment, foreign entities and individuals may only hold and use agricultural land under leases and may not acquire ownership to it. Similarly, it is specifically provided that the State and municipal agricultural land may not be privatized. Thus the full provisions of the Land Code apply only to certain non-agricultural land which, it is widely reported, constitutes approximately 2 percent of Russia's land surface. The importance of the Land Code should not however be underestimated. The land covered by this 2 percent is that connected with settlements and other developed areas of the country. It therefore comprises the areas upon which most of the non-agricultural development within the country has taken place.

Types of Land Rights

Rights to land will now consist of ownership (by the state municipalities or private individuals and legal entities); perpetual or indefinite use, free fixed term use, lease, lifelong inheritable possession and easements. Many existing holders of rights will however need to reconsider what they have.

Upgrading Land Rights

In future new rights of perpetual use may only be granted to State and municipal institutions, Federal Treasury-owned enterprises, State and local authorities. Legal entities (other than those listed in the previous sentence) with existing rights of perpetual use will no longer be able to transfer them. They will have, under the terms of the Implementing Law, until January 1, 2004, to convert and re-register their rights as (at their options) either lease or ownership rights. The implementing Law provides that rent rates for these land plots will be set by the Russian Government. The cost of acquiring ownership rights is set out below. It is particularly worthy of note that any legal entity looking to contribute its land rights to another legal entity such as a joint

venture will need now first to so upgrade its rights before any contribution can be made.

Owners of existing buildings, facilities or structures located on land owned by a third party will now enjoy the pre-emptive right to purchase or lease the land plot beneath some buildings. Where such land will be owned by the State (including the State itself of a subject of the Russian Federation such as the cities of Moscow and St. Petersburg) or a municipality, this amounts to an option to privatize or to obtain land lease rights. More detailed provisions deal with residential and non-residential buildings held in multiple ownership.

Unfortunately other than in the case of permanent use rights holders who do have a choice, the Land Code is not entirely clear as to whether existing building owners have the ultimate choice of land ownership or lease or whether the State or municipality has an element of discretion. It therefore remains to be seen how this will be implemented.

Foreign Individuals and Legal Entities

Foreign individuals and legal entities ("Foreigners") are treated equally with Russians individuals and legal entities under the Land Code and the Implementing Law with a number of exceptions.

Although there is no express provision permitting land ownership by Foreigners, the Land Code may clearly be interpreted as allowing such ownership other than where it is specifically prohibited. ... Foreigners are expressly permitted to lease land subject to the general restrictions placed upon Russian citizens and legal entities.

There are no indications in the Land Code that Russian legal entities with 100 percent foreign ownership will be discriminated against when compared to Russian legal entities without a foreign share-holding. Any of the restrictions imposed on foreigners can therefore be avoided by the use of a Russian subsidiary entity.

PLEASE NOTE: The above is not the full text of Baker & McKenzie's "Legal Alert." The report also included information on upgrading land rights, acquiring new land rights for construction, land leases, third party rights, and environmental issues.

For more information on the Land Code and related issues, contact Arthur George at Baker & McKenzie in Chicago, Ill., at email: arthur.l.george@bakernet.com, or Adrian Moore at Baker & McKenzie's Moscow office at email: adrian.moore@bakernet.com.

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For more information, contact Mr. Jerry Oberndorfer, director of humanitarian programs (EUR/ACE), Department of State, at tel. (202) 647-8742 or email j.oberndorfer@state.gov.

Nongovernmental Organizations (NGOs)

A number of private, charitable NGOs are also involved in bringing medical and other humanitarian aid into NIS countries. These organizations identify a need, source donations of medicines, supplies, and equipment, and handle the logistics of transportation and distribution, and other requirements for meeting the established need. These organizations make a considerable difference in the quality and quantity of health care provision in these countries, helping bolster U.S.-NIS relations.

Rotary International (www.rotary.org) currently has 72 Rotary clubs throughout the NIS (Belarus, Moldova, Russia, and Ukraine) accounting for 1,616 members. From 1999–2001, The Rotary Foundation of Rotary International has been responsible for distributing grant awards of \$1.2 million to Rotary clubs in the NIS for projects that provide medical supplies, vaccinations, and public health education, and serve other critical humanitarian needs. The programs of the Rotary Foundation are only available to Rotary clubs and districts.

Through the Health, Hunger and Humanities grant program, Rotary clubs in the NIS have partnered with Rotary clubs in other countries to qualify for grants up to \$300,000 for sustainable development projects. Through this and other programs of The Rotary Foundation, Rotary clubs have been actively involved in purchasing, among other things, medical supplies, equipment, and medicines for the NIS. For example, the Rotary Club of Moscow and a Rotary District in New York, in cooperation with the Gift of Life program, sponsored a project to provide lifesaving heart surgeries for 50 children in Moscow. They received a matching grant in May 2001 of \$50,000 to match their contribution in the same amount.

For more information on the Rotary Foundation, contact the Rotary Club nearest to you.

Counterpart International's (www.counterpart.org) Division of Community and Humanitarian Programs (CHAP) has directed the procurement, selection, transportation, and distribution of humanitarian commodities to the former Soviet Union, Africa, Southeast Asia, and Europe since 1994. CHAP currently supports active programs in 11 countries of the NIS, including Ukraine, Belarus, Moldova, Georgia, Armenia, Azerbaijan, Uzbekistan, Tajikistan, Turkmenistan, Kazakhstan, and the Kyrgyz Republic. These programs focus on providing aid to those in need, fostering the development of local NGOs, and improving emergency response capabilities. Counterpart's humanitarian efforts are largely funded through the State Department's Humanitarian Programs and the U.S. Agency for International Development (USAID).

Since February 1998, Counterpart has also managed the Department of State-sponsored program, Operation Provide Hope (OPH). This program has helped nearly 105 small to medium-sized PVOs in transporting \$47.2 million of commodities to the NIS. The OPH program assists small and medium-sized PVOs with the transport costs associated with shipping humanitarian goods to the NIS.

Counterpart staff in NIS countries ensure recipient country approval, deliveries and distributions are credibly accounted for, and that regular monitoring visits are done throughout the first 12 months to ensure the goods are used as intended. Major Counterpart program accomplishments include:

- ❑ Providing 1,920 wheelchairs to the disabled in the NIS in partnership with the Wheelchair Foundation.
- ❑ Distributing over \$10 million worth of pharmaceuticals to assist hospitals in Ukraine as part of a 1999 U.S. Department of State-sponsored humanitarian airlift; and \$8.6 million worth of pharmaceuticals in Moldova as part of a 2000 airlift.
- ❑ In partnership with the World Council of Hellenes, provided approximately \$20 million worth of medical supplies and equipment for health care programs in Georgia and Ukraine.

For more information, contact Mr. Richard Drolet, director, at tel. (202) 296-9676 or email: rdrolet@counterpart.org.

Since 1988, **Project HOPE** (Health Opportunities for People Everywhere) (www.projecthope.org) has been actively involved in humanitarian assistance and improving medical infrastructure and education in the NIS (Caucasus, Central Asia, Russia, and Ukraine). Over 10 years, Project HOPE has delivered over \$320 million worth of humanitarian medical aid to the NIS.

Project HOPE's medical humanitarian assistance efforts are concentrated largely in its Gift-in-Kind (GIK) program, which provides donated medical supplies and pharmaceuticals to both disaster areas and program sites. Generally, HOPE contacts pharmaceutical manufacturers for supplies on behalf of a country's Ministry of Health or other government body. Following procurement, the supplies are sent to HOPE distribution centers located worldwide, from where they are shipped directly to the field sites.

In summer 2001, Project HOPE delivered over \$9 million worth of Hepatitis B vaccine to the Kamchatka Peninsula. HOPE, in cooperation with Merck (NJ) and Becton Dickinson (NJ), provided enough vaccine and single-use syringes to inoculate all newborns and high-risk health workers in the region.

For more info., contact Scott Crawford, director of humanitarian assistance, tel. (540) 837-2100 or email: scrawford@projecthope.org.

Carelift International (www.carelift.org) is a nonprofit organization dedicated to solving the problems of health care de-

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UPDATE ON BUSINESS OPPORTUNITIES FROM THE ADB

by Cecile Santos and Melissa Walters

The Manila-based Asian Development Bank (ADB) continues to maintain an active role in assistance to the Central Asian republics and Azerbaijan. During 2001–2003, the ADB plans to promote individual country programs of nearly \$1.6 billion in loans and some \$50 million in technical assistance programs to these republics, in addition to regional assistance loans and technical assistance projects amounting to \$500 million and \$10 million, respectively. In 2000, U.S. consulting firms, including many small companies, succeeded in winning \$57 million in ADB-funded national technical assistance contracts out of a total ADB-financed consulting budget of \$348 million. Also in 2000, U.S. companies won \$139 million of ADB procurement bids for a variety of goods and services. U.S. companies are encouraged to pursue consultancy and procurement opportunities available through the ADB.

ADB Outlook for Central Asia/Azerbaijan

During 2001–2003, ADB loan projects in Central Asia will maintain their focus on the agriculture, education, energy, environment, and transport and communications sectors. Technical assistance projects during this time will focus on feasibility studies, capacity building, financial sector and economic policy development, and government reorganization.

Azerbaijan: ADB operations in Azerbaijan began in 2001, with small technical assistance projects laying the groundwork for an active ADB lending program. ADB lending will focus heavily on direct poverty alleviation measures outside of the oil sector. As of November 2001, ADB approved \$300,000 for two technical assistance projects for poverty data analysis and seminars on ADB policies and procedures. Another \$150,000 in advisory technical assistance to support a poverty reduction strategy is due for approval in December 2001. ADB is also processing a \$740,000 project preparatory technical assistance grant for urban water supply and sanitation, slated for approval in 2002.

Kazakhstan: ADB's annual lending level to Kazakhstan is \$103 million. The lending program for 2001–2003 reflects \$310 million in loans. As of June 2001, three technical assistance grants—urban small business development (\$600,000), technology and institutional development for sustainable locust management (\$700,000), and an energy sector study (\$150,000)—were approved. A \$40 million loan for rural water supply and sanitation is due for approval in 2001. Nearly \$2 million in technical assistance is being processed for projects in rural income generation, road improvement (Almaty-Horgos), and early child and women's development.

Kyrgyz Republic: The current lending program for 2001–2003 totals \$235 million, subject to the availability of funds from ADB's soft loan window, the Asian Development Fund, on which the Kyrgyz Republic is dependent. A \$100,000 technical assistance grant for a governance assessment study was approved in

May 2001. Two loans are in process as of October 2001: a \$40 million road rehabilitation loan and a \$25 million corporate governance and enterprise reform loan. A \$793,000 technical assistance grant for rural development is scheduled for approval in 2001. Other projects in the pipeline are a \$30 million loan for rural development, power transmission; agriculture development, education and environment improvement.

Tajikistan: In 2000, the ADB assisted Tajikistan in drafting new energy and transport laws, in addition to a country profile that will help guide future ADB assistance. The bank provided two loans in 2000, totaling \$54 million, for power and road rehabilitation, in addition to \$4.8 million in technical assistance grants. In August 2001, the ADB provided a technical assistance grant for social sector development (\$950,000) and is processing other technical assistance for the second road rehabilitation project (\$600 million), agricultural rehabilitation, facilitating sustainable project benefits, policies and procedures seminars, poverty monitoring mechanism, and governance assessment.

Turkmenistan: Turkmenistan gained membership to the ADB in August 2000. The bank fielded an mission to the country in November 2000 and is now preparing an economic report on which its assistance will be based. Upon approval of the report by the ADB Board of Directors and endorsement by the government, formal operations will begin. A technical assistance framework was signed in June 2001 and a \$150,000 technical assistance grant for ADB seminars on operational policies and procedures was approved in August 2001.

Uzbekistan: The bank's 2001–2003 lending program totals \$450 million. In August 2001, a \$36 million loan for Ak Altin's agricultural development was approved, while a \$150,000 technical assistance grant for pilot testing of rural savings and credit unions was provided in March 2001. Other technical assistance grants being processed in 2001 include projects in agricultural development, water supply, improving living standards, and building analytical and research capabilities.

Consulting for the ADB

The ADB selects a consultant for a technical assistance grant based on an expression of interest (EOI) received from registered consultants. An EOI can be transmitted online through the ADB's website (www.adb.org); afterward it will be acknowledged automatically. Firms may opt to send a hardcopy follow-up EOI addressed to Mr. S. Thuraisingham, Manager, Consulting Services Division, with a copy to the ADB project officer. The EOI should relate a firm's experience and expertise to the ADB project. It is important for a U.S. firm to emphasize its similar project experience in the country or in a similar geographic area, rather than presenting a general profile of its consulting activities. A separate EOI should be submitted for each

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project. The project name indicated in the EOI should exactly match that listed in the ADB business opportunities publication to avoid confusion.

To be considered for employment, consultants must register on the ADB's DACON (data on consulting firms) and DICON (data on individual consultants) systems. Otherwise, their EOIs will not be accepted. DACON and DICON registration can now be done online at www.adb.org/consulting.

ADB Procurement

U.S. companies will want to read the ADB Procurement Guidelines to ensure compliance with and understanding of ADB procedures before participating in any bids. These guidelines, the ADB's standard bidding documents, and ADB procurement notices can be found on the ADB website.

In-country representation is very useful, if not essential, to successfully bidding on ADB procurement tenders. Most ADB procurement (usually those above \$500,000 for supply contracts and \$1 million for civil works) is done through International Competitive Bidding (ICB). However, many smaller procurements are done through International Shopping or Local Competitive Bidding.

Finding Upcoming ADB Opportunities

Companies interested in taking advantage of ADB opportunities should frequently monitor the ADB's Business Opportunities (ADBBO), a monthly publication that lists technical assistance projects, which is available on the ADB website.

For those companies who have had little to no experience working with the ADB, one way to begin work on its projects is to seek subcontracting opportunities with larger firms that have won ADB contracts. Many large consulting firms maintain an active database of registered subcontractors with whom they could do business. The ADB website provides information both on firms that win consulting contracts and those that win contracts for goods or civil works with a value above \$1 million (www.adb.org/Documents/ADBBO/contracts.asp). In addition, the website has lists of prequalified contractors and firms shortlisted for technical assistance contracts.

The **U.S. Commercial Liaison Office for the ADB** works closely with the office of the U.S. Executive Director to the ADB to increase U.S. awareness of, and participation in, the ADB's activities. U.S. firms can contact the office for information on doing business with the ADB, and may send the office a notification copy of EOIs. The office is located in Manila. Contact Mr. Stewart Ballard by tel. (632) 887-1345, fax (632) 887-1164, or email stewart.ballard@mail.doc.gov.

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2001 BISNIS BULLETIN INDEX ONLINE

An index of articles that appeared in the *BISNIS Bulletin* during 2001 is now available on BISNIS Online at www.bisnis.doc.gov/bisnis/bulletin/2001bullindex.cfm.

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livery and patient care in countries in need. Carelift's Redistribution Program accepts donations of used and surplus medical equipment, supplies and pharmaceuticals from the U.S. health care industry and restores and reuses them in order to support the development of health systems worldwide. Since 1992, Carelift has delivered over \$45 million in equipment and more than \$1 million in educational training to over 35 countries.

Between April 2000 and February 2001, Carelift delivered 27 shipments of medical aid valued at \$4.7 million to Armenia, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, and Ukraine. Examples of these and other Carelift shipments are:

- In September 2000, Carelift provided Ukraine's Lviv Clinical Railway Hospital with a mammography unit donated by the **Mayes County Medical Center** (Pryor, Okla.) and **Siemens Medical Systems** (Iselin, NJ).

- Through the donation of **Medtronic, Inc.** (Minneapolis, Minn.), Carelift was able to supply the Moldovan Institute of Cardiology with \$250,000 worth of pacemakers and supporting equipment in December 2000.

- In October 2001, thanks to contributions of private citizens from Pennsylvania, Carelift was able to transport \$250,000 of surgical instruments and medical supplies to Uzbekistan for use by a Tashkent emergency medical center.

For more information, contact Eileen Welde, associate director of development, at tel: (610) 617-0995 or email: welde@carelift.org.

These are only a few of the organizations engaged in supporting humanitarian aid to the NIS. Other notable organizations experienced in this field include the **American International Health Alliance** (www.aiha.com), the **CIS Development Foundation** (www.cisdf.com), **Humanitarian Medical Relief** (www.humanitarianmedical.org), and the **Red Cross** (www.redcross.org). These organizations are always seeking donations of pharmaceuticals, medical equipment, and supplies to provide to NIS communities in need. All of these programs are nonprofit, charitable 501 (c) organizations and, therefore, all donations made to them are tax deductible.

*For more information on the medical sector in the NIS, visit **BISNIS Online** at www.bisnis.doc.gov/bisnis/isa/isa-med.cfm.*

*Melissa Walters covers the medical sector for **BISNIS** in Washington, DC.*

POLITICAL RISK IN THE NIS AFTER SEPTEMBER 11

by Leslie Powell

Many assume that, since September 11, the countries of the NIS have become riskier places for foreign businesses and investors. With the war in Afghanistan raging, ethnic tensions on the rise, domestic oppositions finding new grist for their mills, and government attention turned to security issues, isn't state stability in the region decreasing—making foreign investment riskier?

The short answer is no, according to research conducted on select countries (including Azerbaijan, Russia, and Ukraine) by Lehman Brothers Eurasia Group, a joint venture between the investment bank Lehman Brothers and the research and consulting firm Eurasia Group. Since September 11, according to the Lehman Eurasia Group Stability Index (LESGI), a new country risk product, these three NIS countries have shown little significant change in state stability.

State stability in these countries is generally holding or marginally increasing. However, this is still a risky region overall, as are all emerging markets. While the decrease in global demand, which began slipping well before September 11, will take some toll on the economies of most of the countries in the region, the political, social, and security components of state stability, taken together, are likely to remain in a holding pattern.

The LEGSI rates countries systematically and cross-comparatively through variables clustered into four broad categories: government, society, security, and economy. Russia's stability has increased this year from moderate to high. For Russia, the economic component of stability has been the highest performing of the four component sections this year, and has been steadily increasing. The government component of stability has been the most volatile, moving between moderate and high stability throughout the year, but showing an overall upward trend. This is due to President Putin's increasingly evident influence over the Duma, his persistently high public approval ratings, and the gradual sidelining of external opposition, such as the oligarchs and the regional governors. The security component of stability is the lowest of the four components, due largely to the ongoing military conflict in Chechnya, frequent emergencies and natural disasters, and a low score for globalization, which is one of the factors considered in assessing security stability.

The "holding pattern" for Russia in the post-September 11 world therefore means that Russia's overall state stability is likely to remain in the moderate/high range and possibly continue to improve incrementally. Azerbaijan and Ukraine are likely to maintain state stability more or less at current levels for the foreseeable future, depending on upcoming events unrelated to September 11. The March parliamentary elections in Ukraine are expected to be acrimonious and divisive, for example, so the next three months are likely to be politically volatile there.

If Russia has remained largely stable, what factors cause

change? Russia's LEGSI score ticked down slightly in November when sharply lower world oil prices tempered federal budget revenue expectations and open dissent on the part of the military and security services became evident after Putin's bold show of support for the U.S.-led anti-terrorist campaign and his announcement of the closing of the Lourdes base in Cuba. Neither of these developments is expected to significantly depress Russia's overall stability in the long term, however, and, indeed, Russia's LEGSI score rebounded in December. Reform in Russia has clearly been in focus since Putin took office, but entrenched interests still have the power to obstruct progress. This is illustrated by the struggle for influence between Putin's security wing and officials associated with the Yeltsin-era "Family," such as presidential administration head Voloshin and railways minister Aksyonenko. The key risk factors for foreign direct investment in Russia will continue to be corruption, the tenuous rule of law, the lack of banking reform, and the uncertain institutionalization of democracy.

The geostrategic positions of some countries in the region have changed since September 11. Indeed, the positions of Russia and Ukraine have been enhanced. While the war in Afghanistan certainly introduces an element of uncertainty to the region, foreign direct investors would do well to evaluate country risk in terms of long-term stability trends, rather than any expected short-term volatility in country stability. That presumed volatility has, in any case, so far shown itself a phantom.

Leslie Powell is a senior associate for global political risk at Eurasia Group in New York. Visit www.legsi.com.

MORE CORPORATE RISK RESOURCES

American International Group (www.aig.com) offers risk management services and resources, including country risk analysis and trade and political risk insurance.

Armor Group (www.armorgroup.com) helps find solutions for global risk management, including technology risk management, and security and risk management training.

iJET Travel Intelligence (www.ijet.com) has two products—one for international travelers and another for travel professionals—to help reduce the risks of corporate travel.

Smith Brandon International (www.smithbrandon.com) provides business support services and intelligence reports to assist strategic planning and decision-making worldwide.

Stratfor (Strategic Forecasting) (www.stratfor.com) provides global intelligence, strategic analysis, and forecasting to corporations, government, and individuals.

This list is not comprehensive nor does it represent an endorsement by the U.S. Department of Commerce.

TRICKS OF THE TRADE

ACHIEVING RESULTS IN THE NIS: THE IMPORTANCE OF "FIT"

by Tanya Shuster

The first article in this series addressed some of the basic correspondence pitfalls that may hinder a U.S. company's business development efforts. This article more closely explores the question of "fit"—does an NIS company's profile, needs, and expectations match those of the U.S. company—which is often ignored by U.S. companies interested in establishing business connections in the NIS.

BISNIS frequently hears about the following scenario from its U.S. clients: A U.S. company sees a lead or contact information for an NIS company that it considers a potential target for goods or services. The company dashes off correspondence to one or more promising NIS counterparts, but receives no reply.

U.S. companies who attribute a lack of response from an NIS company to poor etiquette on the NIS side are potentially doing their business efforts a disservice. Even in the United States, the notion that every business proposal deserves a prompt reply is far from universal. Generally, many NIS companies—an increasing number—do follow this "best practice." Among those companies that do not reply, immediately or otherwise, it is possible that a prompt reply is not in practice, but there are also many other possible explanations.

One likely explanation is that the NIS company perceives that U.S. company as a poor "fit" and is not interested in pursuing business development. BISNIS has observed two types of poor "fit" that can render a proposal ineffective. The first is when the interests cited in the U.S. company's proposal, e.g., the type of relationship proposed, does not match the NIS company's interests. The second is the issue of poor price fit, which is closely related to the fit of the product for the Russian market. U.S. firms that ignore the NIS company's stated interests, as well as the question of price competitiveness, may risk wasting efforts.

Bang for the Buck—Pursue the True Fits

It is not an uncommon view among U.S. companies, particularly those who began pursuing business development in the NIS the early and mid 1990s, that NIS companies are eager to get *any* type of proposal from a Western company. It is also not an uncommon practice in the United States and elsewhere for firms to market their products and services to companies who might not immediately require or be interested in their offerings. Meanwhile, the price of email service in the United States and the spread of email access throughout the world have made it fairly easy and resource-efficient for a U.S. firm to fire off a message or proposal to an overseas company. As a result, NIS companies may receive a large number of proposals that are of little or no interest to them. Because email service in the NIS can be expensive and unreliable, and many companies only use email

intermittently, this deluge of messages can be burdensome.

BISNIS has found, particularly among the participants in its lead programs, that many NIS companies are not interested in hearing from firms offering goods or services that do not immediately fit a proposed project. Further, NIS companies today are far more likely to receive a number—even an overwhelming number—of responses that do fit their business interests. The result is a natural selection process: proposals that aren't perceived to be a good fit don't get a reply.

What about proposals that seem to be a good fit and still don't get a response? Based on feedback from participants in BISNIS lead programs, there are at least a few more factors that may come into play. One possibility, addressed in a previous *BISNIS Bulletin*, is that the U.S. company didn't make the favorable impression that it anticipated in its initial correspondence. For related guidance, see "Tricks of the Trade - Writing to Russia: Avoiding Common Pitfalls in Initial Correspondence with a Russian (NIS) Company," in the *BISNIS Bulletin* (Aug.-Sept. 2001) at www.bisnis.doc.gov/bisnis/bulletin.cfm.

Other Types of Fit—Market and Pricing

Another strong possibility when an NIS company doesn't reply to a seemingly good fit is that the reply didn't provide key information desired by the NIS company. Among participants in the BISNIS Trades & Tenders export lead program, the number one request from NIS companies of interested U.S. firms is a product list with prices. Although many companies are, for natural reasons, reluctant to provide this information with initial correspondence, pricing can become important fairly quickly. NIS buyers are extremely cost conscious and a U.S. firm that is not able to provide price information that accurately reflects product and transaction costs may have a difficult time capturing—and maintaining—sales in the NIS.

Another factor that needs to be mentioned is foreign competition. Many European and Asian companies are very familiar with and active in the NIS markets, and they often have a cost advantage due to geographic proximity and are able to conduct negotiations in Russian. In addition, as the Euro has been depreciating against the U.S. dollar in Russia, western European exporters currently offer very competitive prices. U.S. trade proposals can become more attractive than similar European or Asian proposals if they offer a clear working formula for trade financing (or as they call it in Russia "vendor financing"). A Russian company could be more interested in proposals that offer payment in installments, rather than through an "immediate" bank transfer or an letter of credit.

(continued on p. 10)

CERTIFICATION CORNER: Knowing the Requirements

by Jeff Rushing and Bill Oglesbee

Anyone considering exporting to Russia, Kazakhstan, or any of the other CIS countries should be aware of current licensing, permitting, and certification requirements. Russia is used below as the example, but many of the requirements for the other countries are similar.

Virtually all goods entering Russia today must be accompanied by a GosStandart (Russian State Standards Committee) Certificate of Conformity in order to clear customs. Most industrial equipment must also have a Gosgortekhnadzor (Russian Mining and Industry Inspectorate) Permit and a Technical Passport before it can be commissioned and operated in the country. A Gosenergonadzor (State Energy Inspectorate) Permit may be required in some cases, depending upon the type of equipment. Hazardous equipment and equipment with explosion-proof characteristics are normally always under Gosenergonadzor's jurisdiction. Engineering and construction contractors working on projects for Russia are required to obtain a Gosgortekhnadzor License and/or a Gosstroï (Russian Ministry of Construction) License.

GosStandart Certificates of Conformity

Despite recent rumors, Russian customs continues to require these certificates prior to allowing goods into Russia. The certificate, also known as a GOST-R certificate, indicates that the material listed has been inspected and either meets or exceeds Russian standards. Goods entering Russia without an original certificate are subject to be detained by customs. In this case, the exporter or the consignee will be charged demurrage and/or storage fees until the certificate is presented to the authorities. Russian GosStandart certificates are also commonly used to import material into Kazakhstan and the other CIS states because of an agreement between the customs agencies of these countries.

An individual certificate may contain an unlimited number of items as long as the first four digits of the Harmonized System (HS) code number are the same for each item. If more than one HS code number is applied to the shipment, additional certificates will be required for each new number. The certificates are valid for one shipment within one year from the date of issue.

Gosgortekhnadzor Permit

Both Russia and Kazakhstan have permitting requirements, and separate permits are required for each country. Permits are required to operate equipment in the country and they are valid for three years. Equipment listed on the permit, which is installed during the validity period, may operate indefinitely. A Gosgortekhnadzor inspector reviews the permit before the operator is given permission to use the equipment. Third party quality certification or licensing such as ISO 9000, API, ASME,

etc., will facilitate the process of obtaining the permit. The permit has nothing to do with customs clearance and should not be confused with the certificate referenced above.

Technical Passports

Technical Passports have no specific validity period, but they are usually specific to a project. These passports are required for all equipment that is covered by a Gosgortekhnadzor permit. The passport is a compilation of technical information that has been analyzed, translated, formatted, and compiled according to Russian or Kazakh regulations. Passport regulations are defined in specific standards and their contents are regulated by law. Selected source documentation from the manufacture must also be translated and included in the appendix section of the passport. The purpose of this set of documents is to provide repair, operation, and maintenance information to the Russian field personnel who will operate the equipment. It also provides important information for tracing the equipment.

Gosenergonadzor Certificates

Gosenergonadzor Certificates have increasingly been required for explosion-proof and other hazardous equipment. This certification is often a prerequisite for obtaining a Gosgortekhnadzor Permit.

Gosgortekhnadzor/Gosstroï Licenses

Licenses are required for industrial activities, such as engineering and construction, and they are a prerequisite to obtaining a Gosgortekhnadzor Permit. Either one or both may be applicable, depending upon the type of activity being performed. Gosstroï licenses are required only for construction projects.

Know Before You Export

Companies specializing in Russian certification can advise which requirements are applicable to a specific project and perform the work necessary to obtain the required documents. In addition, it is prudent for consignors to check in advance with their consignee or a Russian-accredited certification laboratory to determine what permits and licenses are needed.

*For additional information on NIS certification, including a list of North American-based laboratories accredited for quality and safety certification of products and equipment for the NIS, visit **BISNIS Online** at www.bisnis.doc.gov/bisnis/isa/isa-cert.htm.*

*Jeff Rushing and Bill Oglesbee work at **Moody International** (www.moodyint.com/russian.html) in Houston, Texas. They can be contacted by telephone at (281) 367-8764 or by email at jeffr@moodyint.com or billo@moodyint.com.*

(FIT, continued from p. 8)

Potential problems with fit can create a catch-22 for some companies, particularly those that are new to NIS markets. A company may not want to potentially “waste” resources on the NIS before it has a concrete probability, or at least chance, for revenues. On the other hand, if a company doesn’t have a strong sense of the market and its own likely costs and competitiveness before seeking customers, it may end up expending resources without any fruitful or sustainable result.

Do these factors mean that a small or medium-sized U.S. company that is new to the NIS doesn’t have a chance in these markets? Not necessarily, but it does mean that it is advisable for companies to become familiar with the profiles and challenges of NIS markets before pursuing leads, and consider “fit” before reaching out to an NIS firm. This kind of preparation will increase chances of success in the market.

*U.S. companies seeking information on NIS markets can visit **BISNIS Online** at www.bisnis.doc.gov to obtain both industry-specific and country/region-specific market information and subscribe to receive free market updates on specific industries, NIS countries, and/or Russian regions via email (www.bisnis.doc.gov/subscribe.cfm). **BISNIS** also provides counseling to U.S. companies by telephone at (800) USA-TRADE (872-8723).*

*Tanya Shuster is deputy director of **BISNIS** in Washington, DC.*

TIPS FOR COMMUNICATING WITH RUSSIAN FIRMS

by Roman Vvedensky

Often, it makes sense to send direct emails to a Russian company when there is a contact person with a good command of written English in the company. Emails bring the best results when the English-literate person is a general manager or a senior manager of the Russian company.

Russian companies in certain sectors tend to have managers with a sufficient level of English skills to be directly approached via email. These sectors are information technologies (IT), software development and high-tech; telecommunications; and tourism. Of course, there are English-speaking managers in Russian firms in other sectors, but their level of English should be investigated.

When managers of a Russian company and its staff have a poor or no command of written English, it is better to send English business proposals to them via fax (1-3 pages maximum), as English-worded emails usually bring little result.

*Roman Vvedensky is the **BISNIS** representative in Nizhny Novgorod, Russia.*

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For more information, contact Ruben Beliaev, CS Kyiv, at email: ruben.beliae@mail.doc.gov.

NEW RESOURCES

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Accounting, Auditing and Taxation in the Russian Federation [An Update] 2001 Study

A 160-page monograph by Profs. A.J.H. Enthoven, Y.V. Sokolov, V.V. Kovalev, et al. Published by the Center for International Accounting Development, The University of Texas at Dallas. **For information on ordering, contact email: antacgt@utdallas.edu.**

Russia and the World Trade Organization

A website devoted to Russia’s accession to the WTO. In Russian and English. **Visit, www.wto.ru.**

Concise B2B Publications

Searchable databases including Concise Aerospace, focusing on the NIS aerospace and air transport industries; Concise Consumer, covering the development of the NIS consumer markets; and Concise Energy providing information on the NIS energy sector. **For information, visit www.conciseb2b.com.**

2002 SABIT FUNDING AVAILABLE TO TRAIN NIS MANAGERS

The Department of Commerce's SABIT (Special American Business Internship Training) program, an innovative grants program that provides funding to U.S. organizations to conduct stateside training for business executives and scientists from the NIS, announces the availability of \$1.5 million in grants.

U.S. businesses and organizations in both the for-profit and nonprofit communities are now invited to apply for SABIT grants to host up to 10 NIS professionals for three to six months for training. If your company is already working with an NIS company and you already have a candidate for training, SABIT is a low-cost, low-risk way to develop that relationship. If you don't have a company in mind, SABIT can help identify a potential partner and help you pay for the costs of "trying out" the relationship. SABIT grants reimburse round-trip international airfare, \$34 per diem, and up to \$750 per month for lodging (depending on local rental rates).

Organizations that are awarded grants may select one or more NIS professionals from SABIT's pool of qualified candidates, or they may propose their own NIS colleagues for internships. SABIT welcomes applications from organizations involved in many types of business ventures and many areas of scientific inquiry, including agribusiness, biotechnology, computer technology, medical and disease research, environmental protection, industrial chemicals, pharmaceuticals, power engineering, and waste management.

SABIT internships can be rewarding experiences for both interns and training hosts, offering many opportunities for collaboration and innovation. Over 70 percent of SABIT grantees develop business relationships with their interns—relationships that include joint ventures, distributorships, and long-term shared research projects. Since 1992, SABIT-facilitated business relationships have generated \$166 million in U.S. exports.

Intrigued? For an application or more details, contact Tracy Theisen, SABIT marketing coordinator, at tel: (202) 482-0073, fax (202) 482-2443, or email: tracy_theisen@ita.doc.gov, or visit www.mac.doc.gov/sabit/sabit.html.

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INFORMATION TECHNOLOGIES GROUP OUTLINES PROSPECTS

by **Derek Nowek**

On November 8, BISNIS hosted a roundtable that brought together representatives of some 30 Washington-area IT firms with 18 IT professionals from across the NIS. The NIS group was in the United States under the auspices of the Department of Commerce's SABIT Technology Commercialization for Software Development program (www.mac.doc.gov/sabit/sabit.html) during October 13 through November 10.

The roundtable provided an occasion for NIS software engineers, project managers, and business innovators to make direct contact with the U.S. information technology community and to promote scores of IT projects for partnership and investment. After the NIS speakers' presentations, there was a question and answer session with the audience. Attendees offered remarks on the pros and cons of working with NIS IT professionals and commented on the changes that are taking place in the information technologies sector in the region.

During the SABIT training session, the group also traveled to California's Silicon Valley and met with software developers at **Hewlett Packard** and **Apple Computer** and attended the Starwest 2001 conference program for software testing and quality engineering managers and professionals. During the SABIT training session, the group took part in several workshops on issues ranging from intellectual property rights and Western financial management concepts to cross-cultural business negotiations and business plan development.

*For a list of NIS delegation members and their company profiles, visit **BISNIS Online** at www.bisnis.doc.gov/bisnis/isa/011101bisnis_roundtable.cfm. For more information on the IT sector in the NIS, visit www.bisnis.doc.gov/bisnis/isa/isa-comp.cfm.*

*Derek Nowek covers the IT sector for **BISNIS** in Washington, DC.*

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Website: www.asi-conferences.com

Georgia Intl. Oil, Gas, Energy & Infrastructure **March 19–20, 2002** **Tbilisi**

Organized by: ITE Group
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WorldFood Ukraine **March 27–30, 2002** **Kyiv**

Organized by: ITE Group
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**BISNIS also operates a Russian-language site
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This notice is provided solely as an informational resource and does not constitute U.S. Department of Commerce endorsement of these events. For a more complete listing of NIS trade events, visit *BISNIS Online* at www.bisnis.doc.gov/bisnis/events.cfm. All information published in the *BISNIS Bulletin* regarding trade events is subject to change without notice by the organizers of those events.